



Retail Energy Supply Association

Testimony Opposing HB 5505

Submitted to the Energy and Technology Committee

March 16, 2010

Good Afternoon Members of the Energy and Technology Committee,

The Retail Energy Supply Association (RESA) submits this testimony to **oppose** H.B. 5505 (An Act Concerning Electric Rate Relief). RESA is a trade association comprised of 13 competitive energy suppliers – 10 of which are or are affiliated with Fortune 500 companies – who are actively involved in supplying competitive electric and natural gas products across the country, including customers in Connecticut. RESA member companies include Con Edison Solutions, Constellation NewEnergy, Inc., Direct Energy Service, LLC, Exelon Energy Company, GDF SUEZ Energy Resources, N.A., Inc., Gexa Energy, Green Mountain Energy Company, Hess Corporation, Integrys Energy Services, Inc., Just Energy, Liberty Power, PPL EnergyPlus and Sempra Energy Solutions, LLC.

As currently proposed, House Bill 5505 replaces the competitive choice model that by all objective measures is effectively providing customer with a variety of energy choices , significant savings and innovative products and services that Connecticut's electric distribution companies under the regulated regime could not produce. In its place, H.B. 5505 installs a regulated regime that will restrict choice for customers of all sizes, including medium and large-sized business customers that the Speaker's Rate Relief Panel recommended the competitive model should be preserved for.

In addition, this legislation will, unlike the competitive model, force Connecticut ratepayers and taxpayers to bear the costs of enormous billion-dollar risks of allowing Connecticut's electric utilities to build new generation, establishing a Connecticut Electric Authority and creating a managed portfolio structure for Standard Service customers. Make no mistake, the costs for all of these proposals – the risks of which can total into the billions of dollars – will be borne by Connecticut taxpayers and ratepayers during a time of deep economic recession when they can least afford these costs.

Finally, passage of H.B. 5505 will result in lost economic development and investment in Connecticut in the form of capital, jobs and innovation through the eradication of customer choice that will drive businesses out of Connecticut and leave remaining businesses with fewer options and higher electricity prices not subject to the downward pressures that competition provides.

For these reasons and those expressed in the section-by section objections below, RESA **strongly opposes** H.B. 5505 urges its rejection by the Committee.

Jay Kooper
President, RESA

H.B. 5505 – AN ACT CONCERNING ELECTRIC RATE RELIEF

Section 2 (Education Programs): Section 2 establishes an assessment on electricity sales by electric suppliers to be used by the DPUC for educational programs that “emphasize how in-state businesses can operate successfully...in the competitive market.” The purpose of these programs is to educate all customers, especially smaller customer still on Standard Service. **Any assessments for these programs should be competitively neutral and be made against the electricity sales made by Connecticut’s electric distribution companies under Standard Service as well as competitive electric suppliers.**

Sections 7 & 9 (Connecticut Electric Authority/Utility Generation): Section 7 establishes a Connecticut Electric Authority that “may own and operate electric power plants and may provide financial assistance...to encourage the development of generation.” Section 9 allows the new Authority to “order an electric distribution company to submit a proposal to build generation.” These provisions will put Connecticut taxpayers (in the case of Authority-owned/operated generation) and Connecticut ratepayers (in the case of utility-built generation) at enormous risk for their collective investment decisions. These risks, which could total well into the billions of dollars, are risks they do not have to incur now. Indeed, it is well-documented that other states that have implemented power authorities and utility-owned generation have exposed ratepayers to such costs. Moreover, these measures are especially unnecessary because according to New England’s Regional System Plan, ISO New England does not foresee the need for new generation resources in Connecticut through 2018. **Sections 7 and 9 will effectively end customer choice by ending competition in the wholesale electric industry and force Connecticut residents and businesses to bear the costs of billions of dollars in risks that they cannot afford for generation resources that Connecticut does not need.**

Section 17 (Managed Portfolio): Section 17 alters the Standard Service procurement structure from full-requirements auctions to having Connecticut’s utilities manage a portfolio of electric supply components to meet Standard Service load by 2013. This managed portfolio structure will put ratepayers at risk for the utilities’ decisions (risks ratepayers do not bear under the current structure), result in the deferral of actual costs, require significant collateral and credit postings by the EDCs that will divert resources from necessary transmission and distribution system investments and expose Standard Service customers to credit defaults. **Section 17 undermines the current Standard Service structure that has enabled 67% of the small commercial customer load to shop for and switch to a competitive supplier and replaces it with a structure that will expose them to enormous billion-dollar risks they do not have to bear in the competitive market structure.**

Section 29 (Contract Rescission, Supplier-Customer Meetings): Section 29 would allow commercial and industrial customers of all sizes to rescind a contract with a competitive electric supplier within 3 business days (currently, this rule applies to residential and small commercial customers in the Standard Service class). Section 29 also limits customer meetings (including pre-scheduled meetings at the customer's place of business) to between the hours of 10:00 am and 6:00 pm and requires virtually all customer meetings to have a predetermined script.

Almost universally, competitive supplier contracts with large customers are the product of long and complex negotiations where every word, sentence and paragraph of the contract is thoroughly reviewed and negotiated before the contract is executed by the parties. Layering a 3-day rescission period that, depending on when it takes place, could delay large customers receiving the service they contracted for up to an extra meter-read cycle. Likewise, many large business customers prefer scheduling meeting for the beginning or end of a business day before 10:00 am or after 6:00 pm, including working dinners so as to keep their business hours clear to concentrate on their own business operations.

Section 29 also mandates competitive suppliers to disclose average utility charges. This provision would be unduly onerous on retailers, since each month's billing list the current prices for the utility. Average charges are rarely reflective of customer specific consumption patterns and actual utility charges, "including the competitive transition assessment and the systems benefits charge" are presented on the customer bill by the electric distribution company for standard service and service of last resort customers. Competitive suppliers should not be responsible for presenting the utility charges.

The measures proposed in Section 29 are intended to protect customers from instances of "slamming" or entering into competitive supplier contracts they may not be able to fully understand. These are not necessary protections for large commercial and industrial customers who are sophisticated buyers of goods and services – including electricity – and have the resources to detect instances of "slamming" and thoroughly review their contracts before execution. **While similar measures proposed for Section 29 have been implemented in other states, they have been done so after proper regulatory review and solicitation of stakeholder input. Such reviews were conducted with the clear objective of accurately identifying and quantifying meaningful gaps in consumer protections, tailoring remedies to the specific challenges identified, and, in the end, enhancing the competitive retail electricity market. As proposed here, they are burdensome and inappropriate for large commercial and industrial customers and risk restricting customer choice for a sector where over 90% of the statewide load has switched. It is a solution to a problem that does not exist and should therefore not be enacted.**

Section 30 (Customer Switching Restrictions, Exit Fees): Section 30 imposes a two-year switching restriction or, in the alternative, a utility-imposed exit fee on customers who elect to participate in a competitive electric supplier referral program. Thus both residential and small commercial customers electing to participate in customer choice would be subject to a

“minimum stay” of two years just for exercising a choice to switch to another competitive supplier or back to Standard Service. **This proposal effectively removes customers out of the competitive market, restricts choice and like Section 29 undermines the Speaker’s Rate Relief Panel recommendation to preserve choice and competition for Connecticut businesses and should therefore not be enacted.**